

Senator Vard Johnson. (Title read.) The bill was read on January 18 of this year, Mr. President. It was referred to the Revenue Committee for public hearing. The bill was advanced to General File. There are Revenue Committee amendments pending.

PRESIDENT: (Gavel.) Order in the Chamber, please. The Chair recognizes Chairman Johnson.

SENATOR V. JOHNSON: Mr. President, members of the Legislature, LB 1114 addresses a thorny subject and the subject is the premium tax that the state imposes upon insurance companies. I thought I would take a few moments to describe to you the premium tax, to describe to you the issue that has been raised, to indicate how 1114 addresses the issue and, finally, to indicate where it now stands. Virtually every state imposes premium taxes on insurance companies. Like other states, Nebraska has a premium tax. Our current tax is 2 percent of the gross premiums of foreign insurance companies. Now foreign insurance companies are those companies that are not domesticated in Nebraska. It sounds like I'm treating animals. These are insurance companies that are non-Nebraska companies, thus Prudential is a foreign insurance company and Metropolitan Life is a foreign insurance company. Their rate of taxation is 2 percent of their gross premiums. Domestic insurance companies, however, are Nebraska based companies such as Mutual of Omaha, such as Farmers Mutual, such as Blue Cross-Blue Shield of Nebraska and our tax rate for our domestic insurance companies is .6 of 1 percent. So there is a differential between the foreign insurance company and the domestic insurance company. Last year the United States Supreme Court in a case entitled Metropolitan Life Insurance Company v. Ward had to address a discriminatory tax in Alabama. Alabama taxed the foreign insurance companies at one rate and the domestic insurance companies at a lower rate and the State of Alabama offered a variety of reasons to the court system as to why that discriminatory tax was a justifiable state policy. The United States Supreme Court looked at the three most prominent reasons offered by the State of Alabama and concluded that none of those would wash, simply concluded that those reasons as offered were not rational state policies to justify the two...to justify the discriminatory tax system. Shortly thereafter the Supreme Court of the State of North Dakota held that North Dakota's discriminatory tax plan was a denial of equal